

**COMMUNITY DEVELOPMENT BLOCK GRANT  
(CDBG)  
HOMEOWNERS REHABILITATION PROGRAM**



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Department of Housing and Community Development  
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**AZ TDD/TDY: 711**

Online:  
<http://mesaaz.gov/>

**Policies and Procedures Manual  
Program Year 2017-2018**



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## **I. CDBG HOME OWNER-OCCUPIED HOUSING REHABILITATION PROGRAM – PROGRAM OVERVIEW**

### **A. PROGRAM DESCRIPTION**

The City of Mesa, Arizona, acting by and through the Housing and Community Development Division of the Community Services Department shall provide housing rehabilitation and/or repair assistance through the Community Development Block Grant (CDBG) program, as approved by the U. S. Department of Housing and Urban Development (HUD), to income eligible applicants residing within the City limits.

The CDBG Home Owner-Occupied Housing Rehabilitation Program (Housing Rehabilitation Program) is designed to preserve existing housing and enhance the quality of the neighborhood by providing decent, safe and sanitary housing for extremely low, very low and low income owner-occupied homeowners. Mobile homes qualify for limited assistance under this program. (Note: For the purposes of this policy, the definition of “mobile homes” means homes with permanent axles attached to facilitate their potential relocation. Mobile homes do not include “modular” or factory-built homes that are re-assembled on site and are intended to remain at that re-assembly location permanently.)

The program(s) included herein are conducted in accordance with all applicable rules and regulations of the City of Mesa, the State of Arizona, and the United States Department of Housing and Urban Development.

### **B. PURPOSE**

Rehabilitation is more complex to stage and manage than new construction because the project does not begin with a blank slate. The construction must coordinate with and respond to pre-existing conditions, past modifications and mistakes, and the desires, concerns, safety, and (often) occupancy of owners and residents. The complexity of the rehabilitation process is further compounded by the interaction of numerous people involved in its execution.

The Housing Rehabilitation Program provides a mechanism for eligible homeowners to bring their eligible house into compliance with local codes and provide safe, decent housing for lower income individuals. The program has three major components:

- Major Rehabilitation
- Minor Rehabilitation & Repairs
- Emergency Repair

The Housing Rehabilitation Program is designed to bring the eligible homeowner’s dwelling into compliance with applicable, locally-adopted housing rehabilitation standards to reduce ongoing and future maintenance costs, promote energy efficiency, and to preserve decent affordable owner-occupied housing. ***This program is not intended to be used for homeowners who intend to sell their property upon completion of the project.***

Program funds are issued to contractors that perform specified repairs to the dwellings of eligible homeowners. Depending on the level of rehabilitation and cost of repairs, the funding may be grants, forgivable loans and/or payment loans. The Housing Rehabilitation Program eligibility criteria restrict assistance to qualified households and eligible dwelling units.

### **C. GOALS OF THE HOUSING REHABILITATION PROGRAM**

- Eliminate health and safety hazards in homes
- Benefit low-income, very low-income, extremely low-income, and disabled residents
- Improve neighborhoods and encourage long-term stability
- Address energy efficiency issues

### **D. PROGRAM FUNDING**

The City's Housing Rehabilitation Program is a federally-funded program financed with federal funds from the Department of Housing and Urban Development (HUD), and administered through the City of Mesa Community Housing & Community Development utilizing Community Development Block Grant (CDBG) funds that are used on projects for the rehabilitation of homeowner-occupied homes.

The funding for each fiscal year varies and is determined by Mesa City Council. The limits and availability of the Program depend on the amount of funds allocated to the City.

## HOUSING REHABILITATION PROGRAM ACTIVITY TYPES

The CDBG regulations permit a wide variety of affordable home ownership rehabilitation activities. Some of the basic eligible activities include:

### Emergency Repair

- CDBG funds can be used for the following rehabilitation activities:
- Homeownership assistance-Providing financial assistance for emergency repairs to homeowners
- Up to \$15,000

### Homeowner Rehabilitation (Minor)

- CDBG funds may be used to assist existing owner-occupants with:
- Homeownership assistance-Providing financial assistance for minor rehabilitation to owner-occupied homes
- \$15,001 - \$30,000

### Homeowner Rehabilitation (Major)

- CDBG funds may be used to assist existing owner-occupants with:
- Large Rehabilitation projects
- \$30,001-\$100,000

### Homeowner Rehabilitation (Construction or Re-Construction)

- CDBG funds may be used to assist existing owner-occupants with:
- Constructed
- Reconstruction of their homes
- Over \$50,000 but not to exceed 75% replacement value (*including demolition*)

### Other Housing Rehabilitation Assistance Activities

- Provide financial assistance for:
- Demolition
- Remediation of Lead Paint
- Code Violations

## **II. GUIDELINES FOR PARTICIPATING IN THE HOUSING PROGRAMS**

### **A. APPLICATION PROCESSING**

*Applications for assistance are processed on a first-come, first-served basis.* Once qualified, a project may be assessed and ranked against other qualified applications in terms of code priorities; any emergency need takes priority (e.g., failed heating system in winter, air conditioning in summer, leaking roof during the monsoons). On occasion, the HCD must reject applications despite the presence of eligible work. Reasons for this may include: lack of program funds; conditions requiring substantial rehab beyond scope of the program; costs exceeding program limits; title issues; ineligible tenants; and factors that suggest the applicant may be unable to comply with the terms of the program.

### **B. WAITING LIST MANAGEMENT**

The Housing Rehabilitation Program waiting list will be maintained in accordance with HCD established policies and procedures. Applicants will be selected from the waiting list in chronological order based on the date and time on their preliminary application (*first in – first out*), including any established preferences or priorities for providing assistance. When the application reaches the top of the waiting list, the HCD Housing Rehabilitation Program staff will then process a full application for the applicant to verify the information provided and to confirm that the applicant meets all HUD program requirements.

The applicant will be required to complete a preliminary application form to register their interest in participating in the Housing Rehabilitation Program. The preliminary application form requests basic information about the applicant, the applicant's property, and the occupants. The submission of a preliminary application does not guarantee assistance under the Housing Rehabilitation Program. If an applicant meets the basic eligibility criteria, the application will be processed for full eligibility and the dwelling unit will be inspected to determine the scope of work to be performed to bring the dwelling up to applicable code. If insufficient funding or other resources are available to assist the applicant at the time of application, the application will be placed on the Housing Rehabilitation Program waiting list.

### **C. OVERVIEW OF THE PROGRAM PROCESS**

1. Homeowners can call or come into the HCD office, and a contact sheet will be filled out. Verbal information will be collected regarding income and ownership, as well as a brief description of the repairs being requested. If it appears the homeowner qualifies for the Program, they will be put on the wait list (*unless an emergency*). When the project comes up on the wait list, the homeowner will be contacted and sent an application, along with a list of required documents to fill out and return for review. Applications will request information (re: gross income, ownership, and homeowners' insurance).
2. Homeowners will be invited to participate according to the contact date (the date they initially contacted the Housing Rehab office). The exception will be emergency repairs and home accessibility, which will be addressed as soon as possible.



3. Townhouses, condominiums, and manufactured homes on rented lots are not eligible for regular rehab. They can, however, be eligible for the Emergency Repair Program and receive assistance up to the cost of any qualifying item needing replacement or repair. The townhome/condominium owner is responsible for securing permission from the HOA before participating in the Program. HOA and/or CCR covered items/issues are not eligible.

Townhouses and condominiums are limited to the replacement of interior finishes, such as, but not limited to, floor coverings, paint and texture, kitchen and bath cabinets, light fixtures, switches, and receptacles, plumbing fixtures that don't involve re-piping, interior doors and trim, and water heaters. Interior finishes will not need to comply with Davis-Bacon. The exterior of the structure is typically the responsibility of the property association. If exterior work is needed in addition to the interior work, Davis-Bacon compliance is required for all work, both interior and exterior. (The internal and exterior work cannot be separated in order to avoid compliance with Davis-Bacon).

4. Due to the large volume of applications and waiting list, a 15-day notice will be given for any non-compliance or lack of response in prompt manner to the following:
  - a. The homeowner does not respond to the invitation.
  - b. The homeowner does not have the required documentation available for completion of their application.
  - c. The homeowner's yard or house is not brought up to and maintained at a level of readiness and accessibility to allow the project to proceed.
5. If the homeowner is non-compliant or non-responsive during the application period, the homeowner will be notified in writing that work will not proceed on their home, and the next homeowner on the waiting list will be contacted.

#### **D. COMPLETED APPLICATIONS**

1. The applicant must make consistent progress towards mitigating any application deficiencies. Applicants taking more than 30 days to complete their application shall be deemed "non-responsive" and shall lose priority position. Applications taking more than 45 days to complete shall be denied and the applicant must re-apply. For emergency applications, program staff shall continue to work the applicant; however, funding shall be subject to funds available and priority of need at the time of application approval.
2. Written notice of eligibility (or denial) will be sent to the homeowners, a case number will be assigned, and files will be set up.
  - i. After it has been determined that the applicant is eligible for assistance, the program staff will perform an inspection of the property to determine if the property is eligible for participation in the program.
  - ii. The application, with verification of compliance and requested work to be funded, will be initially reviewed by program staff for compliance with the rehabilitation policy and referred to the Program Manager for approval.

- iii. Where questions of eligibility arise based on extenuating circumstances, the case may be referred to the program's Rehabilitation Committee who will advise departmental staff on the appropriateness of assistance, in accordance with applicable rules and regulations.
3. If the property owner desires to participate in the program, the Program Specialist and/or Inspector shall coordinate the inspection the residence and prepare a work write-up and complete a detailed cost estimate for rehabilitation to the unit according to City Code. The Program Specialist, inspector, and the homeowner will thoroughly discuss the work to be done prior to selecting a contractor.
4. The homeowner will select up to four contractors from the active contractor list and sign the Contractor Selection Form. Only contractors approved to participate in the Housing Rehabilitation program will be eligible to be placed on the Housing Rehabilitation Program Approved Contractors List.
5. The Program Specialist will then invite the chosen contractors to bid the project. If the repairs are deemed an emergency and warrant prompt attention, an inspection by the Program Specialist or inspector will be conducted. In an emergency situation, after ownership and income verification are obtained, a contractor may be selected by the Program Specialist, with approval by the Program Manager, to provide a quotation for the required work to be performed.

***All homeowners must agree to cooperate with the Rehab staff, allow the contractor access to the home Monday thru Saturday, 7:00 am to 5:00 pm, and support the contractor in the timely completion of the rehabilitation of their home. Non-cooperation in the process can result in early termination of the project and removal of the homeowner from the Program.***

6. Bids will be publicly opened and read at the time, date, and location indicated in the bid.
7. The contract will be awarded to the lowest qualified and responsive bidder.
8. The Program Specialist, inspector, the property owner and the contractor(s) who submitted the winning bid will attend a preconstruction conference. Extensive explanation of the work write-up and specifications will be made. All questions will be answered at that time to avoid the need for construction change orders later.

*Change orders are discouraged and all project change orders must be reviewed and receive a recommendation by the Program Specialists, inspector, and given final approval by the Program Manager. The City of Mesa encourages the use of green technologies in its rehabilitation programs, including Energy Star appliances, xeriscape landscaping, low-vapor paints, low-flow faucets, etc.*

9. **Loan/Grant Closing** - The initial loan closing will take place at the preconstruction conference. The property owner will sign all applicable documents at this time. The client will be informed that the loan amount does not include any costs for temporary housing, storage of household goods or potential construction change orders.
  - a. **Temporary Housing & Storage.** The client will be responsible to cover any cost of temporary housing and storage of personal property.
  - b. **Change Orders**. All change orders as a result of unforeseen conditions or error by the program staff will be considered grants to the homeowner and will not result in changes to the original loan amounts. Any change orders resulting from homeowner requests that are approved by HCD, will be added to the loan totals at the close of the project and an amended loan document and appropriate mortgage documents will reflect that final amount.
10. **Right of Rescission** - All appropriate project documents will be signed at the preconstruction conference. The potential applicant for loan assistance will be informed of the three (3) day rights of rescission available to all parties.
  - a. When the order to proceed with work is executed, the contractor is then required to begin work within ten (10) days of its issuance (emergency repair projects must commence within two (2) days).
  - b. If the contractor does not commence work within the allotted period, the contract will be awarded to the next most responsive bidder or will be re-bid, at the discretion of the Program Manager.
  - c. Variations from the specification must be requested by change orders which require the approval of the owner, the Program Specialist, Program Inspector, and the Program Manager, provided that the cumulative amount of change does not increase the contract amount by more than 15 percent.
  - d. Changes over 15 percent or that which result in cumulative changes exceeding the 15 percent must be pre-approved by the Rehabilitation Program Committee.
11. When construction to the dwelling is completed, the final inspection is made by the Program Specialist and/or Program Inspector, and if applicable, the City's Building Official; the contractor is required to sign a Release of Lien(s). This insures that the contractor has paid all subcontractors and that there is no possibility that liens can be placed on a property on which the City holds a mortgage. The homeowner is also required to sign a Release acknowledging acceptance of the contractor's work and noting any problems or concerns. The program inspector and if applicable, the City Inspector must certify that completion of the work is according to code and specifications. A check is then requested by the Program Specialist and approved by the Program Manager and made payable to the contractor. Partial (or Conditional) Lien waivers are required for each payment and a Final (or Unconditional Lien Waiver is required for final payment.
  - a. **Progress Payments and Final Payment**. In the event the project has been approved for progress payments, the following shall also apply:

- i. Partial (or Conditional) Lien waivers are required for each payment and a Final (or Unconditional Lien Waiver is required for final payment;
  - ii. Payments are approved only for work performed and materials installed;
  - iii. All pay requests must have approved inspections from HCD and the City building inspector, if required;
  - iv. Support Documentation. All pay requests must include the invoice from each subcontractor that actually performed the work and lien waiver, the suppliers invoice and lien waiver, and the cut sheet for the materials/appliance installed, as requested.
12. The Program Specialist, at the completion of the project and after all expenses for the project are accounted for, will modify the Loan Agreement (*if applicable*), as well as prepare a modified mortgage note for execution by the client. The Program Specialist will update the file to accurately reflect the true cost of the project. All modifications to these Agreements will be discussed with the client at a post- construction conference, including the reasons for any increases or decreases in amounts or terms of the Agreements.
  13. Loan payments are due (per the terms of the Agreement with the homeowner) usually thirty (30) to forty-five (45) days after final inspection (*the date of the final inspection will be the determining factor*). Information regarding the borrower and the loan is stored and maintained in the City's Loan Services file.

### **III. REQUIREMENTS TO PARTICIPATE IN THE HOUSING PROGRAMS**

#### **ELIGIBILITY REQUIREMENTS**

The following requirements must be met in order for a property to be considered for the Rehab Program:

	<b>Criteria &amp; Conditions</b>
1.	Property must be located in the City of Mesa. County islands are excluded.
2.	The property must be owner-occupied.
3.	Homeowner(s) must have owned and lived in the structure for at least the last 12 months prior to applying for rehabilitation assistance (proof is required).
4.	Participants must be of legal age to execute a contract between the homeowner and the contractor for all work required.
5.	The home must be suitable for rehab under the financial constraints of this Program. The property must be suitable for rehabilitation. The yard and home must be at a level of readiness and accessibility to allow the project to proceed. A dwelling that cannot be rehabilitated to meet safety, health, and code standards, has major structural damage, or has major draining problems, will be considered non-feasible.
6.	If mortgage payments are not current, or the home is under forbearance (re-payment plan) or in foreclosure, it is not eligible for any rehab program.
7.	The current owner must be a legal resident of the United States, complete a Statement of Legal Residency (Declaration of Section 214 Status)
8.	This structure must be their sole and only property
9.	Homeowners must meet the low-income limits of 80% or less of the area median as established by the U. S. Department of Housing and Urban Development (HUD) for the jurisdiction of Mesa, Arizona

10.	Except for emergency repairs, all properties must have property insurance.
11.	Property must not be located in a Maricopa County island.
*	<i>Priority will be given to those who experience catastrophic events -- as funding is available</i>
*	<i>Priority is also given to those who have not received assistance before</i>
*	<i>Level of assistance will be determined based on a review of the financial encumbrances on the property</i>

#### IV. INCOME GUIDELINES

Verification and certification of income and assets will be required to determine program eligibility for all rehab-funded projects. Income includes all wages and salaries, interest and dividends, alimony, and child support, for all persons living in the house. It excludes food stamps, medical reimbursement, and foster childcare assistance.

For the purpose of determining program eligibility, household income shall be calculated according to the HUD regulations identified in the Code of Federal Regulations at 24 CFR, Part 5. The calculation used to determine annual household income shall be consistent with HUD regulations and HUD's definition of income including the sources of income that are to be included or excluded from the calculation. Income of all household residents age 18 or over, unless they are a full-time student, will be included in the total annual household income determination.

The applicant and any other family member must execute a release of information form authorizing any depository or private source of income, or any federal, state, or local agency, to furnish or release to the HCD such information as determined to be necessary.

##### A. **LMI (LOW-MODERATE INCOME) LIMITS FOR MESA, ARIZONA**

Below are the total allowable LMI (low-moderate income) limits per size of household for qualifying for the CDP Housing Rehabilitation Program. LMI limits are set by HUD. Total income means income from all Adults 18 years old or over living in the household. Household size means all adults and children living in a household regardless of their relationship.

The Housing Rehabilitation Program uses the Department of Housing and Urban Development (HUD) CPD Income Calculator Updated with FY 2017 Income Limits published June 02, 2017, to determine income eligibility. The Income Calculator can be found at: <https://www.hudexchange.info/news/cpd-income-calculator-updated-with-fy-2017-income-limits/>

## FY 2017-2018 Income Limits of Dept. of HUD Area Median Maximum Gross Income Limits for the City of Mesa, AZ

Last Updated: 8/1/17

[https://www.huduser.gov/portal/datasets/il/il2017/2017summary.odn?states=%24states%24&data=2017&inputname=METRO38060M38060\\*Phoenix-Mesa-Scottsdale%2C+AZ+MSA&stname=%24stname%24&statefp=99&year=2017&selection\\_type=hmfa](https://www.huduser.gov/portal/datasets/il/il2017/2017summary.odn?states=%24states%24&data=2017&inputname=METRO38060M38060*Phoenix-Mesa-Scottsdale%2C+AZ+MSA&stname=%24stname%24&statefp=99&year=2017&selection_type=hmfa)

### Median Income Phoenix-Mesa-Scottsdale, AZ MSA

PROGRAM	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Extremely Low (30%) Income	\$13,900	\$16,240	\$20,420	\$24,600	\$28,780	\$32,960	\$37,140	\$41,320
Very Low (50%) Income	\$23,200	\$26,500	\$29,800	\$33,100	\$35,750	\$38,400	\$41,050	\$43,700
Low (80%) Income	\$37,100	\$42,400	\$47,700	\$52,950	\$57,200	\$61,450	\$65,700	\$69,900

<https://www.huduser.gov/portal/datasets/il/il2017/2017summary.odn>

### B. CALCULATING ANNUAL (GROSS) INCOME

The annual income definition found at 24 CFR Part 5 is used by a variety of federal programs including Section 8, public housing, and the Low-Income Housing Tax Credit Program and will be used as the qualifying standard for City of Mesa housing programs. Annual income is used to determine program eligibility and, in some programs, the level of assistance the household will receive. This definition was formerly commonly referred to as the Section 8 definition.

The Part 5 definition of annual income is the *amount of income of all adult household members that is anticipated to be received* during the coming 12-month period. The Part 5 annual income is used to determine eligibility and the amount of Federal assistance a family can receive. Therefore, homeowners shall use a household's expected ability to pay, rather than past earnings, when estimating housing assistance needs.

In addition to providing information requested on the application form, complete, accurate, and up-to-date documentation of income is required of all applicants according to your particular circumstances. *We recommend that you read through completely the notes below to understand what is required. Please call the Program Specialist with questions so that he/she can help you avoid unnecessary delays.*

- ☐ Income documentation is required for all members of the household 18+ years old and must be submitted before the initial review can be performed.
- ☐ Provide photocopies of all documents, not originals.
- ☐ Some documentation requires notarization.



Beneficiaries of CDBG funds. Homeowners must be determined income eligible based upon a review of their projected **anticipated annual income** by all adult household members (everyone 18 years of age and older).

- ✓ The income determination cannot be more than **6 months** old at the time the assistance is received.
- ✓ The households receiving tenant-based rental assistance or living in rental housing are not eligible.

All CDBG recipients are required to document:

- ✓ Income of **ALL** Adults (persons 18 and over), even if there is no income.
- ✓ If there are more than one ADULT in a household, documentation **must** be provided for each ADULT household member.
- ✓ If an adult has more than one income source or job, each source of income should have its own documentation (i.e., paystubs for employment & RIW benefit letter for Jane Smith).

To determine if applicants are income eligible, recipients shall review and verify income using the following (*but not limited to*):

- ✓ Pay stubs
- ✓ SSI/SSDI benefit letters
- ✓ Pension statements
- ✓ Wage statements
- ✓ Interest statements
- ✓ Unemployment compensation statements
- ✓ Tax returns, W-2 forms
- ✓ Profit and loss statement from business

Other third-party documentation (bank statements, etc.). Recipients of the City's CDBG Homeowner Rehabilitation program must use Part 5 definition for determining income. Remember that the Part 5 definition includes assets in its calculation of income (see the attached Part 5 Income Workbook).

Please return a fully completed, signed and dated application form, including all information requested, *along with the following valid documents*:

**Salaried income or Unemployment income - for all Household Members 18+ years old**

- Paystubs for most recent 8-week period for every household member working for an employer.
- Pay stubs for most recent 8-week period weeks of Unemployment Benefits.
- Full-time students or unemployed household member must provide evidence and a notarized statement affirming this status.

**Self-employment income - for all Household Members 18+ years old**

- Copies of your entire IRS Tax Return 1040 for last two years.
- If the self-employed earner does not file taxes, a **notarized statement** reflecting earnings and expenses for last two years, including dates, addresses of jobs, amounts paid, related expenses - to determine net profit; and (upon request)
- Copy of IRS (non-filing) status for last two years.

**Other income: verification of other income as applicable to Household Members 18+ years old benefit statements** for Public Assistance, VA, Unemployment, SS, SSI, disability, and a verification letter or periodic statement from each pension/investment income source stating the amount and frequency of benefits.

**Child Support:** either 1) Child Support Order and Divorce Decree; or 2) notarized statement that you are not receiving child support.

**All applicants and household members 18+ years old must submit:**

- **Complete financial statements:** spanning the past 2 months:--for any/all checking, savings, investment, and retirement accounts.
- **Copies of their signed 1040 tax returns** for last two tax years. Please include all Schedules as appropriate if you are self-employed and/or you receive other income.
- **IRS Verification: “Tax Return Transcripts” for every adult for last two years.** You are responsible for obtaining your IRS Tax Return Transcripts. When ordering your Tax Return Transcript, please use the same information used when filing your 1040 return. **If you do not file taxes** because your taxable income is not sufficient to meet the minimum filing requirements, you must select the **request a Verification of Non-Filing option**. Your Tax Return Transcript will be sent to you directly. Please forward this information to the Program Specialist in order to complete your qualification. Eligibility cannot be determined without this information.

#### **C. APPLICANTS WITH PHYSICAL DISABILITIES**

Applicants with physical disabilities who also meet the income eligibility requirements will be eligible for the removal of architectural barriers in their dwelling and may be eligible for rehabilitation services at the discretion of the Program Manager and/or Rehab Committee. Improvements to the dwelling to remove architectural barriers that restrict mobility and accessibility may be authorized for owner occupied households that include elderly or physically disabled persons. The necessity for such improvements shall be supported by appropriate written notification from the applicant’s physician, referring social service agency, or a similar outside authority familiar with the applicant’s living situation. Receipt of Social Security Disability or Supplemental Security Income can also be used as verification of disability. Architectural barrier removal does not include portable items such as wheelchairs, walking-aids, vehicle lifts, or other portable personal assistance items.

#### **D. CERTIFICATION OF INCOME AND ASSETS**

Certification of income and assets will be required to determine program eligibility for all CDBG funded projects. Certification of income and assets means the applicant certifies that all information provided is true and correct. The HCD shall also require the family to submit documentation determined to be necessary if it is required for purposes of determining or auditing an applicant’s eligibility to receive program assistance, for determining the applicant’s or applicant’s family members’ annual income. The use or disclosure of



information obtained from an applicant or applicant's family member or from another source pursuant to this consent to release information form shall be limited to purposes directly connected with administration of the Housing Rehabilitation Program.

### **Assets**

Assets shall include checking, savings, other bank accounts, stocks, bonds, CDs, trusts, real estate, and cash held by any household member. Value of an asset shall be computed by the greater of either the current market income from the asset or the imputed value of the asset using the current passbook rate as determined by HUD.

Households with \$25,000 in liquid assets or equity in the property may receive assistance but *any* assistance provided shall be a repayable loan with terms to be determined.

### **Property Taxes**

In order to be determined eligible for participation in the Housing Rehabilitation Program the subject property taxes must be current. Property taxes must not be delinquent for any tax year unless the homeowner has entered into a written agreement with the taxing authority outlining a payment plan for delinquent taxes and is abiding to the written agreement.

### **Property Insurance**

With exception of emergency repairs, standard property insurance must be maintained on the property (with coverage adequate to insure the City's lien position). If a property is located in a flood plain, flood insurance must also be maintained (with coverage adequate to ensure the City's lien position).

### **Lien Priority**

The City of Mesa will only accept a first or second lien position. In a case where the second lien is due to participation in a down payment assistance program to secure the initial purchase the property, the City may accept a third lien position.

### **Equity Loans/Lines of Credit**

Households receiving home equity loans, home equity lines of credit (HELOC), or reverse mortgages within the last (3) three years will be disqualified from receiving assistance through the City's Housing Rehabilitation Program, unless the loan funds were used exclusively for their primary residence for home improvements or to pay delinquent property taxes as indicated on a HUD 1 statement from a title company or to pay outstanding funeral or medical expenses.

The homeowner must be current with his/her mortgage (the payments due and payable to the mortgage company may not be more than 30 days past due) in order to receive assistance under the Housing Rehabilitation Program .

## **V. OTHER PROGRAM REQUIREMENTS**

### **A. OCCUPANCY REQUIREMENTS**

The owner agrees to maintain continued occupancy for the duration of the loan. If the homeowner is unable to fulfill this obligation under this contract and cannot continue to occupy the home, they must notify HCD in writing before vacating the home. HCD will attempt to accommodate the homeowner with special arrangements in case of hardship. However, in most cases, a permanent lien will be placed on the property for the balance due under the contract. Monthly payments may be required until the lien is paid in full. The Rehab Committee will determine the amount of the payments.

### **B. ENVIRONMENTAL REVIEW**

In accordance with HUD regulations, the environmental effects of each activity carried out with federal funds must be assessed. The City of Mesa is responsible for conducting an environmental review of projects selected for funding. Compliance with environmental review requirements is mandatory prior to the applicant entering into any choice-limiting agreements or taking any physical action on a site. The selected applicant(s) shall be responsible for providing information and relevant documents necessary to accomplish the environmental review. For some projects the City will require a Phase I environmental assessment conducted in accordance with standards developed by the American Society for Testing and Materials, and if applicable, a follow-up Phase II assessment. For more information contact Ray Thimesch (480) 644-4521, email: [Ray.Thimesch@mesaaz.gov](mailto:Ray.Thimesch@mesaaz.gov).

### **C. HISTORIC PRESERVATION**

Homes of historic value will be reviewed on a case-by-case basis by the HCD Environmental Review Officer. *Emergency grants may be considered to eliminate health and safety hazards in accordance with the Emergency Repair Program.*

The State Historic Preservation Office (SHPO) through the HCD Environmental Review Officer will review all properties, fifty years of age or older. All properties with exterior repairs or modifications will also be reviewed. If a historic review is needed, the HCD Rehab staff will prepare a packet to be forwarded to the SHPO office for processing. The packet will include photos of the exterior of the house, completed request form, and a copy of the work specifications. Exterior work will not proceed until SHPO clearance has been received.

### **D. EQUAL OPPORTUNITY**

The City of Mesa's Housing Rehabilitation program does business in accordance with the Federal Fair Housing Law and Federal Equal Credit Opportunity Act. These laws state that it is illegal to discriminate against any person because of race, color, age, religion, sex, marital status, or national origin.

Any individual who believes that he or she may have been discriminated against may discuss the matter with the Homeowner Rehabilitation Program Manager, City Director of Housing and

Community Development, the City Manager, or HUD's Assistant Secretary for Equal Opportunity.

## **E. DISPOSITION OF PROGRAM INCOME**

All income generated from the use of CDBG funds through a revolving loan or the repayment of a deferred payment loan will be retained by the City's CDBG program and utilized to continue and expand housing rehabilitation activities.

## **F. LEAD-BASED PAINT PROGRAM**

HUD issued regulations to protect young children from lead-based paint hazards in homes that receive financial assistance from the federal government or houses sold by the federal government. The regulation establishes requirements for testing of all painted surfaces, interim controls, and abatement of lead-based paint hazards in such housing. It applies to all housing that was built before 1978, when lead-based paint was banned nationwide for consumer use. (A copy of the regulations can be obtained at [www.hud.gov/lea](http://www.hud.gov/lea) or call 800-424-LEAD to receive a copy by mail.)

### Lead-Safe Housing and Work Practices

Any project involving the rehabilitation of a property built before 1978 must comply with the Residential Lead-Based Hazard Reduction Act of 1992 and the EPA's *Lead Renovation, Repair, and Painting Program*. Residential developments funded with CDBG, HOME and/or NSP funds must result in lead-safe housing. For more information, contact your CDBG, NSP or HOME Program Coordinator. Contact information can be found on the last page.

The CDBG Homeowner Rehabilitation Program requires owners to take actions to reduce lead-based paint hazards in CDBG-assisted units. Owners must comply with 24 CFR 35, the regulations implementing the Lead-Based Paint Poisoning Prevention Act along with requirements for dealing with lead-based paint found in the Uniform Physical Condition Standards (UPCS). Current Part 35 requirements stipulate that all occupants receive and acknowledge notice of the possible presence of lead paint.

Level of Assistance in Property	Hazard Reduction Requirements	Summary of Requirements
Assistance of more than \$5,000 per unit up to and including \$25,000 per unit	Interim controls.	<p><i>Interim controls</i> means a set of measures designed to reduce temporarily human exposure or likely exposure to lead-based paint hazards.</p> <p>Once work is completed a passing a Dept. of Health LEAD SAFE CERTIFICATE must be realized for the exterior, common spaces, and all assisted units.</p> <p>Interim controls include, but are not limited to, repairs, painting, temporary containment, specialized cleaning, clearance, ongoing lead-based paint maintenance activities, and the establishment and operation of management and resident education programs.</p>
Assistance of more than \$25,000 per unit	Abatement of lead-based paint hazards.	<p><i>Abatement</i> means any set of measures designed to permanently eliminate lead-based paint or lead-based paint hazards (see definition of “permanent”) on the exterior, common spaces, and all assisted units.</p> <p>Once work is completed a passing a RI Dept. of Health Lead Free Certificate must be realized for the exterior, common spaces, and all assisted units.</p> <p>Abatement includes:</p> <ol style="list-style-type: none"> <li>(1) The removal of lead-based paint and dust- lead hazards, the permanent enclosure or encapsulation of lead-based paint, the replacement of components or fixtures painted with lead-based paint, and the removal or permanent covering of soil-lead hazards; and</li> <li>(2) All preparation, cleanup, disposal, and post abatement clearance testing activities associated with such measures.</li> </ol>

The Lead-Based Paint Poisoning Prevention Act applies to *all* units in a property assisted with CDBG funds -- not just to CDBG-assisted units. During the compliance review, staff will monitor to ensure that the owner has conducted all necessary activities and maintained appropriate documentation in their files.

Owners/contractors must be in compliance with 24CFR35 and Sections 302 and 401(b) of the Lead-Based Paint Poisoning Prevention Act. This subpart implements the provisions of 42 U.S.C. 4852d, which impose requirements on the sale or lease of housing. The seller or lessor of housing shall:

- Disclose to the purchaser or lessee the presence of any known lead-based paint and/or lead-based paint hazards;
- Provide available records and reports;
- Provide the purchaser, lessee or owner with a lead hazard information pamphlet;
- Give purchasers a 10-day opportunity to conduct a risk assessment or inspection; and
- Attach specific disclosure and warning language to the sales or leasing contract before the purchaser or lessee is obligated under a contract to purchase or lease target housing.

In addition, any disturbance of a painted surface on housing constructed prior to 1978 requires additional testing, notices, and remediation as specified by 24CFR35.

## **G. OUTREACH TO MINORITY- AND WOMEN-OWNED BUSINESSES**

The HCD requires maximum utilization of minority- and women-owned businesses in all HCD-assisted housing projects. **Maximum utilization will be determined by the level of good faith efforts demonstrated to contract M/WBE companies.** As a Department goal, HCD is seeking to achieve at least 25% certified minority business enterprise (MBE) participation and 5% certified women's business enterprise (WBE) participation. This is taken as a percentage of the project's total development cost, excluding acquisition. HCD requires maximum effort in M/WBE utilization and will evaluate the Good Faith Effort prior to executing HCD loan agreements. All recipients of HCD funds will be required to keep records of participation by certified MBEs & WBEs. For more information, contact Mr. Ra'Chel'Ni Mar'Na, MA, HFPCRA (480) 644-3020, [Rachelni.Marna@mesaaz.gov](mailto:Rachelni.Marna@mesaaz.gov).

## **H. EMPLOYMENT AND ECONOMIC OPPORTUNITY FOR LOW AND VERY-LOW INCOME PERSONS**

If a project receives HCD funding of \$100,000 or more, the general contractor is subject to the requirements of HUD's "Section 3" which seeks to ensure employment and other economic opportunities are directed to low- and very low-income persons. All recipients are required to submit a Section 3 plan that must be approved prior to Loan document execution and/or Notice of Approval of Documents. For more information, contact Deanna Grogan at (480) 644-2320, email: [Deanna.Grogan@mesaaz.gov](mailto:Deanna.Grogan@mesaaz.gov).

## **I. COMPLIANCE WITH THE CONSOLIDATED PLAN**

All activities to be undertaken by the City are set forth in the 5-year Consolidated Plan and specific project activity for the current program year are set forth in the Annual Action Plan. To view the Mesa Consolidated Plan, follow this link:  
<http://mesaaz.gov/residents/housing-community-development>

**Warning:** *A HOME assisted project that is terminated before completion, either voluntarily or otherwise, constitutes an ineligible activity and will be subject to recapture.*

## **J. OTHER FEDERAL REQUIREMENTS**

The Federal requirements set forth in 24 CFR part 5, subpart A, are applicable to participants in the HOME program. The requirements of this subpart include:

- Nondiscrimination and equal opportunity;
- Disclosure requirements;
- Debarred, suspended or ineligible contractors; and
- Drug-free workplace.

The nondiscrimination requirements at section 282 of the Act are applicable. These requirements are waived in connection with the use of HOME funds on lands set aside under the Hawaiian Homes Commission Act, 1920 (42 Stat.108).

## **VI. ASSISTANCE CATEGORIES/PROGRAMS**

### **A. MAJOR REHAB PROGRAM**

The Major Rehab **Program** will provide up to \$100,000 of rehabilitation costs to qualifying homes of low-income homeowners. The costs will be divided equally between a forgivable loan and a permanent loan, each secured by a lien, as described below.

### **B. FORGIVABLE LOANS**

Forgivable loans will cover 50% of the rehab costs. A forgivable loan is non-interest-bearing loan secured by a 5-10 year lien. (When the contract amount is \$15,000 or less, the forgivable loan will be for a five-year period and will be forgiven at 20% per year. If the contract amount is over \$15,000, the forgivable loan will be for ten years and will be forgiven at 10% per year.) At the end of the loan period, the lien will be released. A qualifying immediate family member who has inherited the property may assume the forgivable loan if they agree to the same terms and conditions as the original owner. The unforgiven balance of the loan shall become due and payable upon the sale, exchange, re-financing to get cash out, or transfer of the property to a non-qualifying owner.

### **C. PERMANENT LOANS**

Permanent loans are secured by a lien, are non-interest bearing, and become due and payable when the owner sells the home or changes the ownership to someone other than a qualifying member of the family. Permanent loans must be paid if the subordination agreement includes taking cash out from the equity of the home. (In hardship cases where there is insufficient equity on the property to cover the loan, the Rehab Committee may grant an exception to this requirement.

***Any Change Order costs will not be added to the forgivable or permanent loans and will be considered grants.***



## D. EMERGENCY REPAIR PROGRAM

The Emergency Repair (ER) Program is utilized to eliminate a threat to life, safety, or health. The amount allowed under the ER Program is the cost of the item in need of repair or replacement. In an emergency situation when time is of the essence, with approval of two (2) Rehabilitation Committee members (and ownership and income verification are obtained), staff will forgo the three-bid process and the HCD Rehabilitation Program Manager and/or HCD Community Revitalization Administrator will select a contractor to provide a quotation for the work to be performed. The quote will be required to be a responsible bid. The project is not to exceed \$10,000. (If so, it will need Rehab Committee approval.) A memo to the file regarding this action is required.

The following items/situations are considered emergencies, as determined by HUD's Housing Quality Standards:

- no cooling during the summer months, as determined by and is consistent with local building codes
- no heating during the winter months, as determined by and is consistent with local building codes
- no hot water
- severe water leak
- gas leak
- deteriorated or collapsed drainage systems
- major electrical problems
- or any other life, health, catastrophic issues, or safety threats, as determined by a minimum of two Rehab Committee Members.

When funds are limited due to budget constraints and an emergency repair is required, a lien for the emergency repair amount *may* be filed. If the project is over \$10,000, liens *will* be required.

A new lien may be filed or an existing lien may be modified should a full rehab need to be completed at a later date. Documentation for the ER project will be kept in a separate file.

## E. EMERGENCY REPAIR PROGRAM – MANUFACTURED HOMES

The Manufactured Home Emergency Repair Program is a grant program, utilized to eliminate a threat to life, safety, or health, as determined by the HCD Rehabilitation Program Manager, HCD Community Revitalization Administrator, or the Rehab Committee. The Program only covers manufactured homes on rented lots and owners must be below 80% of the median income. Projects are not to exceed \$10,000.

The amount allowed under the Emergency Repair Program for manufactured homes is the cost of the item needed replaced/repaired. A manufactured home must be a 1980 model or newer to be eligible for the Program. **Manufactured homes built before 1980 may be eligible if approved by the Rehab Committee.**

All manufactured homes<sup>1</sup> must comply with the following:

- Have a floor area of not less than 700 square feet
- Have 100-amp service
- Be built on (and remain on) a permanent chassis
- Finished grade elevation beneath the manufactured home, or if a basement is used, the lowest finished exterior grade adjacent to the perimeter enclosure, shall be at or above the 100-year return frequency flood elevation

*Exceptions may be granted on a case-by-case basis by at least two Rehab staff members.*

## **F. HOME ACCESSIBILITY PROGRAM**

The Home Accessibility Program is a 50% permanent loan, 50% forgivable (5-year) loan program, to install home accessibility components only. This Program is available if the house is not in need of general rehabilitation. The maximum amount for this Program shall be the total cost of all components needed for the modification, or \$15,000, whichever is less. A permanent lien for 50% of the cost, and a forgivable (5-year) lien for 50% of the cost will be placed against the property. If more repairs are required, the forgivable loan option is available.

Home accessibility modifications will be covered as far as accessibility; i.e., ramps, bathroom and shower accessibility, etc., but not for therapeutic needs. Construction of special features for individuals with very specific health needs will not be addressed due to limited funds and the need of specialized knowledge.

## **VII. ELIGIBLE IMPROVEMENTS/UPGRADES**

### **A. LIST OF QUALIFYING ITEMS TO REPAIR/REPLACE**

The following list shall establish the items that may be repaired or replaced:

- Electrical/plumbing
- Sewer lines
- Heating/Cooling
- Roofing
- Termite control
- Windows
- Exterior doors
- Exterior paint (two colors)
- Insulation
- Smoke detectors
- Bathroom fixtures
- Kitchen countertops
- Kitchen fixtures

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<sup>1</sup>City of Mesa shall follow guidance from the Office of the Assistant secretary for Housing on Manufactured Housing-Federal Housing Commissioner Mortgagee Letter 97-36 dated August 12, 1997 (as amended)



- Hot water heaters
- Flooring (other types may be approved for medical reasons with a doctor's statement)
- Interior paint (one color throughout, bathrooms/kitchen shall be eggshell color).
- Other health and safety items as determined by the Rehabilitation Program Manager.
- Existing units (stoves, refrigerators, air conditioners, etc.) may be repaired or replaced, depending on cost effectiveness, if the systems are faulty and/or create a safety hazards.
- General maintenance items and/or landscaping do not qualify for any of the rehab programs.

Housing rehabilitation assistance may only be provided to cover the cost of rehabilitation necessary to bring the property in compliance with locally-adopted, written property standards, and applicable Federal, State and City of Mesa codes. All conditions described in Priorities I thru IV must be addressed before Priority V (allowable, additional improvements) can be considered.

## **B. LIST OF PHYSICAL IMPROVEMENTS**

Physical improvements to the dwelling will be made based on priority and must fall in one of the following priority categories in order to be eligible:

### **1. Priority I- Housing Systems**

- Electrical wiring, fixtures or systems
- Heating, venting and air-conditioning
- Roofs, porches, walls and structural load bearing walls
- Foundations
- Plumbing
- Health and safety items
- Removal or Replacement of attached building components (deck, porch) that were specifically cited as a code violation by the City's Codes Compliance
- Miscellaneous code violations

### **2. Priority II- Architectural Barrier Removal**

- Widening of doors
- Installation of ramps
- Roll-in showers (as space permits)
- Grab bars and permanently attached physical-assist apparatus
- Air-conditioning (if medically necessary)
- Hearing-impaired smoke detection equipment
- Specialty plumbing fixtures
- Lowering of light switches
- Other permanently attached fixtures determined to be of assistance in removing architectural barriers

### **3. Priority III- Incipient Code Violations (*Deficiencies or conditions of deterioration, if left unattended, would continue to deteriorate into or contribute to a code violation.*)**

- Replacement of building components (roofs, water heaters, HVAC systems) that have exceeded their life expectancy or, due to condition, is expected to fail within a two-year period from the date of inspection.
- The current edition of the United States Department of Housing and Urban Development (HUD) Residential Rehabilitation Inspection Guide, Appendix C entitled “Life Expectancy of Housing Components” shall be used as the standard to determine the life expectancy of building components for the purpose of eligibility for replacement.
- <https://www.huduser.gov/portal/publications/destech/inspection.html>
- Unsafe and unused fireplaces with a deteriorated or unsafe chimney should be disassembled to below the roof line and sealed (roof will be patched over area that chimney penetrated the roof). Unsafe and used fireplaces will be repaired or an alternate exhaust system will be installed.

#### 4. Priority IV- Allowable, Additional Improvements

In no instance will an allowable, additional improvement take priority over a Priority I, II, or III required repair. Allowable, additional improvements will be eliminated by a change order to remedy unforeseen code violations, emergency, mechanical, foundation, or weatherization repairs found after the initial inspection or ongoing inspections.

Allowable additional improvements include the following:

- Interior and Exterior paint
- Refinishing or replacement of kitchen or bathroom cabinets
- Countertop replacement
- Tile Flooring (will be used in high-traffic areas if cost-effective)
- Wood flooring – if comparable in cost to vinyl or carpet
- Disposal, refrigerator, stove and dishwasher
- Door replacement and trim improvements

#### 5. Luxury Items

The following are considered luxury items and are NOT allowed:

- Hot tubs, whirlpool baths, steam showers
- Patios or decks
- Room additions
- Installation of fireplaces
- Window treatments other than standard grade mini-blinds
- Carports or garages
- Items above standard grade or in excess of approved specifications
- Room additions may be approved if they are necessary to install a bathroom facility in a dwelling that otherwise lacks a bathroom or if it is necessary to provide accessibility to the house.

## **VIII. LEVELS OF ASSISTANCE/PARTICIPATION**

- Self-help rehabilitation (owner labor), owner/contractor labor, and/or sweat equity is not allowed.
- Homeowner(s) must complete any unfinished construction project prior to the City undertaking further work on the property, and must agree to not undertake any new construction projects while the home is being rehabilitated. No side deals or arrangements will be allowed between the homeowner and the contractor.
- The amount of rehabilitation undertaken will depend on the condition of the property. All work deemed necessary by the HCD Rehab Coordinator to provide decent, safe, and sanitary conditions must be completed before participation in the Program.
- Mold and mold remediation are not covered under the Homeowners Rehabilitation Plan.
- Special medical needs will be considered on a case-by-case basis, and may require the homeowner to provide a doctor's statement showing the need because of a medical condition.
- When the existing structure is deteriorated to the degree that repair/rehabilitation costs would equal or exceed new construction costs, or the structure was built inferior and/or substandard; has major structural or drainage problems; or if the cost of the required rehab exceeds the property value, or if any repair(s) needed cannot be completed within the financial constraints of the program(s), the structure will be deemed "non-feasible for rehab" and denied participation in the rehab program.

## **IX. LOANS**

### **Assumability**

Permanent loans and forgivable loans are each secured by separate liens. They shall be repaid to the City upon the sale of the property. However, an immediate family member who qualifies under the income guidelines may assume the loans with the same terms as the original agreement. Immediate family shall include the owner's spouse, child, stepchild, sister, brother, mother, father, grandchildren, and/or grandparents. The family member assuming the permanent or forgivable loan must continue residing in the home until the loans have been satisfied.

## **X. FORECLOSURE AND SHORT SALES**

In the event a home ends up in foreclosure or short sale due to payments not being made on the first mortgage, etc., HCD reserves the right to accept or reject any and all offers to satisfy the City's loans. The Rehab Committee will review individual foreclosures or short sales on a case-by-case basis and make recommendations. The Rehab Committee's decision shall be final.

## **XI. SUBORDINATION AGREEMENTS**

Subordination agreements on the permanent and/or forgivable loans will only be allowed for the following circumstances:

- To refinance an existing mortgage to a lower interest rate, and/or to reduce the monthly payments with no cash out.
- In the event of the death of the owner, the lien will remain until the property is sold or assumed by a qualifying family member.
- In hardship cases where the owner would benefit, as determined by the Rehab Committee.

## **CONTRACTOR INFORMATION**

## **XII. SELECTION AND CLEARANCE OF CONTRACTORS**

Selection of a general contractor in the Housing Rehabilitation Program, (except in the Major System Repair Program), is the responsibility of the homeowner with guidance from the HCD Rehabilitation Program staff, as requested by the homeowner. The selection of a general contractor in the Housing Rehabilitation Program will follow the City's procurement process, with bidding, awards, and contract execution coordinated by the HCD Rehabilitation Program staff. Rehabilitation work will be undertaken only through a written contract between the contractor and the homeowner receiving the assistance.

The HCD Rehabilitation Program Specialist will obtain a minimum of three (3) bids on the planned repairs, based on the preliminary work write-up prepared by the City's inspector or the implementing agency. The bids are to be returned to the designated location on the specific due date. The HCD Rehabilitation Program Specialist will record the total amount of the bid and the date and time the bid was received. The HCD Rehabilitation Program staff will evaluate the bid documents to determine which bids are eligible. Bids are considered eligible when the following conditions are met:

- The submitting contractor currently meets all program requirements and is not debarred or suspended from participating in the Housing Rehabilitation Program.
- The contractor is not on probation with the City, at the State or Federal level.
- The bid is received prior to the bid submission deadline date and time stated in the bid documents.
- The total amount of the bids is within 15% of the total cost listed on the initial work write-up prepared by the HCD Rehabilitation Program staff and does not exceed the maximum dollar limits of the program.

If none of the bids solicited are within 15% of the preliminary work write-up initially or by negotiation, the bid must be rejected and other bids must be obtained that are within the specified cost limits. Any bids received outside of the estimated range of housing rehabilitation will be rejected and the homeowner will be notified in writing. Contracts will not be awarded until the

HCD Rehabilitation Program staff has completed its contractor certification and the contractor has met the requirements.

Contractors new to the Housing Rehabilitation Program will only be able to have one contract in progress at any time until they have successfully completed at least three (3) contracts.

Successful completion of three contracts removes this restriction and the contractor may have more than one rehabilitation project at any given time providing competency, integrity, quality and scheduling have not /will not been/be compromised.

When an acceptable, eligible bid has been secured and the general contractor is selected, the contractor is notified that they must furnish a current *Certificate of Insurance*, a completed *Contractor Information Form*, and a statement concerning the non-use of lead-based paint. Information will be verified for accuracy and completeness of the forms submitted by the contractor. If all submitted documents are in order and the contractor is not on the list of parties debarred or suspended from participation in federal procurement or non-procurement programs or if the contractor is not suspended or debarred from participation in the City of Mesa Housing Rehabilitation Program, the HCD Rehabilitation Program staff will proceed with the preparation of contract documents.

Participating general contractors must obtain all permits that are required to perform the authorized scope of work. The contractor must comply with all the regulations governing the issuance and inspections of any work permitted. Furthermore, all general contractors and subcontractors must possess trade or other professional licenses as may be required by the State of Arizona and the City of Mesa in order to perform such functions that are subject to licensing. Each contract between a contractor and a homeowner shall contain language denying participation to contractors who fail to perform in a satisfactory manner.

Contractors proven to provide poor service or quality of workmanship and/or who exhibit behavior that is not professional in the opinion of the City or HCD Rehabilitation Program will be debarred or suspended from any future contracts with the City of Mesa Housing Rehabilitation Program. Contractors will be informed of this decision in writing with the opportunity to appeal to the HCD Rehabilitation Program Manager or his/her designee.

## QUALIFICATIONS

This section sets forth requirements and procedures with respect to contractor qualifications and construction contracts for housing rehabilitation assistance.

### **Contractors will be required to have criminal background checks performed as indicated in Appendix G- Criminal Background Check for Contractors:**

To qualify for the Rehab Program active contractor or sub-contractor list, a contractor must:

1. possess a residential contractor's license from the State of Arizona, with a minimum B classification or related trade classification;
2. possess proper identification;

3. be in good standing with the Registrar of Contractors;
4. have a City of Mesa Tax License;
5. have good references;
6. meet the City's insurance requirements, including \$2 million general liability and worker's compensation insurance; and
7. must be registered on the U. S. Governments System for Award Management  
<https://www.sam.gov/portal/SAM/#1>

All contractors bidding are subject to, and shall comply with federal, state, county, and City of Mesa procurement laws, policies, and regulations; including, but not limited to:

1. Section 3 of the Housing and Urban Development Act of 1968;
2. Women and Minority Owned Business recruitments;
3. Section 504 of the Rehabilitation Act of 1973;
4. Equal Employment Opportunities (EEOC) regulations not discriminating against any employee or applicant for employment because of race, color, religion, sex, age or national origin;
5. Americans with Disability Act (ADA) of 1990;
6. drug-free workplace regulations;
7. Davis-Bacon and Labor Standards regulations;
8. federal and local bond requirements;
9. lead-based paint hazard control regulations;
10. Maricopa County Air Quality Department environmental regulations regarding dust control, asbestos and NESHAP;
11. Energy Policy Act (EPA) of 2005;
12. Federal Immigration and Nationality Act (FINA) and Immigration Reform and Control Act (IRCA) of 1986; and
13. Arizona Revised Statutes (ARS) 23-214 related to the verification of employment eligibility of employees or anyone working on the project. Women and minority-owned businesses, as well as certified Section 3 businesses are strongly encouraged to participate.

### **XIII. INSURANCE REQUIREMENTS FOR CONTRACTORS**

1. To execute a contract in connection with the City of Mesa Housing Rehabilitation Program, a general contractor must submit to the HCD Rehabilitation Program a *Certificate(s) of Insurance on ACCORD Form 25* from a satisfactory insurer(s) stating that such general contractor carries the types and amounts of coverage required for this program, as stated in Appendix A, *Contractor Insurance Requirements*. Contractual liability coverage shall apply to all contracts between the general contractor, the City of Mesa, and the homeowner(s), who are beneficiaries of the City of Mesa Housing Rehabilitation Program.
2. The City of Mesa shall be named as additional insured under the general contractor's protective coverage. General contractors or agents participating in the Housing Rehabilitation Program must furnish the HCD Rehabilitation Program, written notice of any change and/or cancellation of the required coverage no less than ten (30) days before any such change is effective. Coverage will be verified by HCD Rehabilitation Program before contract execution.



#### **XIV. OTHER REQUIREMENTS FOR CONTRACTORS**

##### **A. COMPLIANCE**

If a general contractor does not comply with all Program guidelines for performance, including payment of all sub-contractors and suppliers, he will be removed from the active contractors list.

##### **B. DRUG-FREE WORKPLACE**

The contractor agrees to maintain a drug-free workplace, and to advise all employees, sub-contractors, employees of sub-contractors and all persons either directly or indirectly employed by the general contractor that the unlawful use, possession, distribution, dispensing, or manufacture of alcohol or drugs in the workplace or in a job-related activity, is prohibited. A drug-free workplace certification must be filed with the City of Mesa HCD office. Signs to that effect will be provided by HCD for each project and are to be posted at the workplace.

##### **C. FEDERAL IMMIGRATION LAWS**

The contractor and all sub-contractors working under the contract shall comply with the Federal Immigration and Nationality Act (FINA), the Immigration Reform and Control Act (IRCA) of 1986, all other federal immigration laws and regulations, and ARS §23-214 related to the verification of employment eligibility of those employees performing work under this contract. Verification form must be filed with the City of Mesa Housing and Community Development office.

Violations of this section may result in termination of this agreement and loss of eligibility of any person from consideration for future award of contracts under the Housing and Community Development rehabilitation programs for a period not to exceed three years.

#### **XV. CONTRACTOR SELECTION PROCEDURES**

##### **A. SELECTING CONTRACTORS**

The goal for selecting contractors is to get at least three bids per project. Every effort will be made to ensure fair bidding practices. All projects are subject to, and shall comply with federal, state, county, and City of Mesa procurement laws, policies and regulations. With this goal, in mind the following procedures will be utilized:

1. The homeowner will be given a Contractor Selection Affidavit and a current contractor list. The homeowner is instructed to select four contractors from this list and return to the Rehab office within five business days.
2. Contractors will be invited by HCD staff to attend a required walk-through at the home at a designated date and time. They will be given up to ten business days to submit their sealed bids to the HCD office, whereupon the bids will be opened, read aloud, and awarded to the lowest responsible bidder, as determined by the Housing Rehabilitation Program Manager

and/or HCD Community Revitalization Administrator. Contractors that do not respond to two invitations to bid will be evaluated for removal from the active contractors list by the Rehab Committee. The contractor will be notified in writing and given 15 calendar days to appeal the decision.

3. When a project is determined by the Rehabilitation Program Manager to be minor in nature, (involving no more than three trades and estimated to be below \$25,000), the bidding process will under normal circumstance will be done electronically. The invitation and the work write-up will be emailed to the contractors selected by the homeowner. It will be the responsibility of the contractor to contact the homeowner and make an appointment to walk the project. The contractor must return the signed bid documents via email to the email address specified in the invitation by the closing date and time. The contractor's email must be received by the closing time and date or the bid will not be accepted.
4. In the case of minor repairs (usually less than \$5,000), staff will rotate the contractors on the approved contractor list. Staff will maintain documentation of the rotation, including contractor name, date, homeowner name, and project number.

## **B. CONTRACTOR TERMINATION**

1. If the contractor fails to complete the project in a workman-like manner within the prescribed timeframe or violates any other provisions of this agreement, he may be declared in default and may be subject to loss of eligibility to participate on the active contractors list.
2. The HCD staff will provide the contractor with a 48-hour written notice of default for failure to comply with his contract obligations. This notice shall contain the reasons for the intent to declare the contractor in default. If within 48 hours after service of said notice, the violations continue and satisfactory arrangements are not made for correction, the contractor's Right to Proceed under the contract shall be terminated, and the contractor will be removed from the contractor list. In the event the contractor is terminated, HCD shall have the right to hire another contractor to complete the project. The cost of having the work completed shall be deducted from the amount of the contract. In the event that the costs to complete construction exceed the balance remaining on the contract, the contractor shall upon demand immediately pay the difference to HCD.
3. Notices to be given by HCD to the contractor shall be considered given if mailed by regular mail to the contractor at the address on the contractor's application (unless the contractor has provided a written address change).

## **C. LOSS OF ELIGIBILITY TO PARTICIPATE ON ACTIVE CONTRACTOR LIST**

Causes for loss of eligibility to participate on the active contractor list include the following:

1. Conviction of any person, or any subsidiary, or affiliate of any person for commission of a criminal offense arising out of obtaining or attempting to obtain a contract or subcontract, or in the performance of a contract or subcontract, under the City of Mesa Housing Rehabilitation Programs.



2. Conviction of any person, or any subsidiary, or affiliate of any person under any federal or state statute for embezzlement, theft, fraudulent schemes and practices, bid rigging, bribery, falsification or destruction of records, or any offence indicating a lack of business integrity or honesty which affects responsibility as a contractor of the City of Mesa Housing Rehabilitation or Rental Rehabilitation Programs.
3. Conviction or civil judgment finding a violation by any person or any subsidiary or affiliate of any person under state or federal antitrust statutes.
4. Violations of contract provisions of a character which are deemed to be so serious as to justify loss of eligibility to participate on the active contractor list, such as knowingly failing without good cause to perform or unsatisfactory performance in accordance with the specifications, within the time limit provided in the contract, or knowingly allowing violations of the drug-free workplace.
5. Violations of the Federal Immigration and Nationality Act (FINA), the Immigration Reform and Control Act (IRCA) of 1986, all other federal immigration laws and regulations, and ARS §23-214 related to the verification of employment eligibility of those employees performing work under this contract.
6. HCD will provide written notice of intent to remove them from the active contractor list. The contractor will have ten days to respond to the notice of intent to remove. The Rehab Committee will review any response and make a written determination. This determination can be appealed to the HCD Director. The decision of the HCD Director shall be final.

## **XVI. CONTRACT DOCUMENTS AND INSPECTIONS**

2. Contract documents to be executed by the homeowner and the general contractor will be prepared by the HCD Rehabilitation Program staff after a preconstruction conference is held.
3. At the preconstruction conference, the homeowner and contractor will agree to work condition, use of facilities and other construction related matters. Such documents must be fully executed prior to beginning the rehabilitation work.
4. These contract documents shall state a specific date for commencement of the work, a specific date for completion of work, and a copy of the rehabilitation work write-up.
5. An executed copy of the contract shall be furnished to the homeowner, contractor, and to retained at the HCD Rehabilitation Program. It is the goal of the HCD Rehabilitation Program to ensure that all work is completed in the highest quality and in a professional workmanlike manner and to ensure customer satisfaction to the highest extent possible, while ensuring effective and efficient administration and use of the HCD staff time.
6. Inspections will be made by HCD Rehabilitation Program while the work is in progress. The required plumbing, electrical, structural and mechanical inspections will be conducted by the City of Mesa Building Inspections Division (or it's designated

representative) while the work is in progress. The contractor (or relevant sub-contractor) will schedule all required inspections with client, if client occupying house during repairs.

7. Upon completion of the work, a final inspection will be conducted by the HCD Rehabilitation Program or the implementing agency and the homeowner. The general contractor's presence is recommended, but not required, at such final inspection. However, the general contractor must sign a Certificate of Completion and Lien Waiver Affidavit before submittal of an invoice for final payment.
7. The HCD Rehabilitation or the implementing agency the HCD Rehabilitation Program will not sign the Certificate of Completion until all work has been completed and approved by the homeowner. In a situation where the homeowner refuses to approve the completed work, a written complaint must be filed with the HCD Rehabilitation Program by the homeowner within ten (10) business days. Failure to file a written complaint within the specified timeframe shall indicate acceptance of the work and the contractor will be paid in full.
8. In no instance should any outside agreement exist between the homeowner, contractor, or any other agency during the construction period regarding repair/ remodel /modification of the home. Failure to comply with this provision will result in the termination of the contract and require immediate payback of the funds expended by the City of Mesa. If the contractor performing other repairs/remodels /modifications is the same as selected by the homeowner for the Rehabilitation Program, then all funding due that contractor will be forfeited and the forgivable loan will be adjusted or cancelled, as required.

## **XVII. TIME FOR COMPLETION**

1. All rehabilitation contracts must be executed between the homeowner and contractor before a Notice to Proceed is issued.
2. Upon execution of the contract documents by the homeowner and the general contractor, a *Notice to Proceed* (Notice) will be issued by the HCD Rehabilitation Program or the implementing agency. The contract will be for up to 90 calendar days. The contractor may request in writing an extension for extenuating circumstances beyond the contractor's control. The HCD Rehab Coordinator will deny or grant (in writing) an extension for a sufficient amount of time to complete the performance. If it is determined that the contractor cannot complete the rehab work in a timely manner, a new contractor will be hired to complete the project. The new contractor will be paid from the unexpended contract fund.
3. If a lien is to be filed, work may begin immediately after the expiration of the three (3) day ***Right of Rescission Period***, after the notice has been received by the contractor, work authorized by a forgivable loan award must begin within ten (10) calendar days and be completed per the contract Agreement upon receipt of the *Notice to Proceed*, unless otherwise approved by the homeowner and accepted by the HCD Rehabilitation Program.

4. For *Emergency Repairs*, work authorized must begin as soon as contractor has been procured, authorized by the HCD Rehabilitation Program, and received permission from homeowner to begin repairs.
5. A copy of the work write-up will be provided to the homeowner. Prior to beginning work, the contractor must have a copy of the work write-up signed by the homeowner and the HCD Rehabilitation Program.
6. The contractor must begin work within ten (10) calendar days from the date noted on the work write-up. Any contractor who does not begin or complete the work within the time specified in the contract may be assessed liquidated damages of \$100.00 per day for each day they run over the established completion date.
7. Contractors must notify both the homeowner and the HCD Rehabilitation Program or the implementing agency to request an extension of the completion date and state the reasons for such extension and a new construction schedule provided upon request.
8. If approved by the HCD Rehabilitation Program staff, based on an inspection of ongoing work, the newly approved completion date must be approved by the homeowner and documented in the application file.
9. Contractors will not be granted more than two time extensions, unless extraordinary circumstances (as determined by the HCD Rehabilitation Program) justify a further request. The HCD Rehabilitation Program Manager or his/her designee is not required to approve a time extension change order. Any extension of time will be documented by a change order.

## **XVIII. CHANGE ORDERS**

Change Orders may be requested by the contractor for items that were not included in the original work write-up, due to unforeseen health, safety, or code violations. The contractor will sign the Change Order, have the homeowner sign the Change Order, and return it to the HCD Rehab office for approval before proceeding with any work. The contractor must have an approved Change Order from the HCD Rehabilitation Program Manager.

In the HCD Rehabilitation Program Manager's absence, the HCD Community Revitalization Administrator or a designee or a member of the Rehab Committee may approve the Change Order.

The homeowner must be informed of any changes to the contract or other problems encountered during the rehabilitation work, and sign the Change Order form before work proceeds. All Change Orders over \$1,500 (sub-contractor's price) will require three bids.

If for any reason changes are approved during construction at no additional cost, a zero Change Order must be completed following the same procedure as established for a regular Change Order.

- A. No modification(s) of the contract shall be made except by written instrument, signed by the contractor, approved by the homeowner, and accepted by the HCD Rehabilitation Program.

- B. Change orders must be requested prior to commencement of the proposed changed work in order for such costs to be reimbursable. Change orders may be authorized as follows:
1. To add work necessary to correct incipient items that have been found defective after work is in progress, but were not anticipated at the time the contract was executed.
  2. To correct defects that must meet City Code requirements.
  3. To make required repairs and additions to the contract that would exceed program limits, an item of lesser priority on the work write-up may be deleted. Deletion of items shall be at the previous line item bid amounts, unless said items have no specific costs, in which case they shall be deleted by negotiation. The HCD Rehabilitation Program is authorized to negotiate contract changes on behalf of the homeowner. With the exception of work required to meet city codes, written rehabilitation standards, health and safety requirements, and weatherization or mechanical deficiencies, the homeowner may determine the priority of the items on the work write-up and may approve all decisions regarding substitution of a higher priority work item for a lower priority work item.
  4. To add an approved item(s) if all required Priority items have been corrected and there is adequate funding available.
  5. Total change orders on any job may not exceed 20 percent of the total dollar amount of the original contract, unless approved by the HCD Rehabilitation Program Committee or when it is infeasible to convene a Committee meeting, two (2) Committee members. Such an approval may be granted only on the basis of the essential nature of the additional work to be performed and following verification that substitutions for lower priority work items were insufficient to reduce the overall contract cost to the funding limit.
  6. Additional time for the completion of the scope of work is subject to the approval all parties. Requests for additional time will be submitted by the contractor with approval from the homeowner and the HCD Rehabilitation Program.

#### **XIX. CONTRACTOR REQUESTS FOR PAYMENT**

- A. To request a payment, the contractor shall complete and submit a City of Mesa Contractor Payment Request form, along with a company invoice, to NEIGHSVS-Invoices@mesaaz.gov.
- B. The inspector assigned to the project will receive the invoice within 24 hours or the next business day, and will determine at that time if the invoice can be processed as submitted, or if the invoice needs to be corrected/adjusted. If the Contractor Payment Request Form needs to be corrected, the Rehab staff will contact the contractor to set up a site meeting to review the percentage of completion.

- C. Upon approval, the contractor shall submit a detailed invoice for the approved amount. Payments will be disbursed by the City's Finance Department and mailed to the contractor.
- D. A ten percent (10%) retention will be withheld on all projects until such a time that all contractual obligations are met.
- E. The contractor may request but is not guaranteed to receive monthly draws or progress draws. A 10% retention will be held and processed when: (a) 100% of the work is completed; (b) all inspections are done; (c) the inspection card, lien waivers, warranties, and all other pertinent paperwork have been submitted; and (d) all other contractual obligations are met.  
  
If hourly charges are being billed, the contractor shall submit an invoice supporting the claim.
- F. A Certificate of Release must be signed by the HCD Rehabilitation Inspector and/or Program Specialist and the Rehabilitation Program Manager.

*Unless the contract documents stipulate otherwise, projects are to be completed within 90 calendar days. Due to unforeseen circumstances, exceptions may be made.*

## **XX. CONTRACTOR WARRANTIES/GUARANTEES**

The contractor shall guarantee the work performed for a period of two years from the recorded date of lien (or final acceptance of all work on projects that do not have liens) as required by the contract. In addition, the contractor shall furnish the owner with all manufacturers' and suppliers' written guarantees and warranties covering materials and equipment furnished under the contract.

*Any defects that appear within this two-year period and arise out of improper workmanship shall be corrected and made good by the contractor at his expense.*

## **XXI. BONDS, PERMITS, AND LICENSES**

The HCD Rehab staff will ensure that the contractor has a building permit when needed from the City of Mesa and that all required inspections are made. The permit, scope of work, drug free workplace poster, construction notice, and Change Orders are to be posted at the site at all times. All permits and licenses necessary for the completion and execution of the work shall be secured by the contractor. All work shall be performed in conformance with applicable codes and requirements, whether or not covered by the specifications and drawings.

Per HUD regulations 24 CFR85.36 (h), any contract that exceeds the simplified acquisition threshold, (currently set at \$150,000) will require any bidder and/or contractor to provide: (1) a bid guarantee from each bidder equivalent to ten percent of the bid price, (2) a performance bond on the part of the contractor for 100 percent of the contract price, and (3) a payment bond on the part of the contractor for 100 percent of the contract price.

## **XXII. ADMINISTRATIVE PROCEDURES**

### **A. BACK-UP PROTOCOL / CHECKS AND BALANCES**

1. The CDBG Rehabilitation Program Manager (PM) shall have primary responsibility for program management and oversight.
2. In the absence of the PM's availability, the HCD Community Revitalization Administrator (HCD CRA) shall serve as the PM. When the HCD CRA is serving as the PM, all approvals and signatures shall indicate ("as PM"). Likewise, when the PM serves as construction inspector, all approvals and signatures shall indicate ("as Construction Inspector") and shall not also sign or approve the same documents as PM.
3. The HCD CRA or PM shall not sign in two (2) capacities (i.e., if serving as construction inspector, shall not also approve or sign documents as PM).

### **B. OFFICE ESTIMATES**

In order to ensure competitive pricing and cost control, an office estimate will be completed for all rehab projects. The Rehab Program Specialist and/or Inspector will complete this estimate. The estimate must be completed, dated, signed, and on file before the bid opening.

1. Office estimates shall be performed using Housing Developer Pro software.
2. The Rehabilitation Program Specialist and Inspector(s) shall have primary responsibility for producing the project cost estimates (Bid Estimates).
3. All estimates shall be verified by second review (*by the staff person under (1b) of this section that did not perform the estimate*).
4. All bid estimates shall have two (2) signatures for certification and verification.
5. All bids must have the PM signature prior to the bid-let.
6. The PM shall verify the bid estimate was performed and verified by two (2) different staff. The PM signature certifies the bid is ready to be let.
7. The bid estimate must have the scope of work completed in order to be valid.

### **C. INSPECTIONS AND PROJECT MONITORING**

1. The HCD staff will monitor all rehabilitation work during construction.
2. At the completion of the job, HCD staff will make a final inspection to ensure that all rehabilitation work meets specifications and is of good quality and workmanship, according to the Housing and Community Development Rehabilitation Programs' minimum standards.
3. All draw inspections must have a field inspection report attached to be processed.



## D. REHABILITATION FILES

Rehabilitation files will include the following documents (*as applicable*):

### Section I

1. Housing Rehabilitation Program Checklist	5. SAM (System for Award Management) Run same day contract is signed
2. Contact Sheet	6. Final Sub-Contractor List
2. Environmental Report	7. Proposed Project Schedule
3. SHPO	8. Correspondence, Notes, etc.
4. Rehab Committee Approval	9. Other: _____

### Section II

1. Application	8. Verification of Ownership	15. Year House was Built ____ Deed/Title ____ Real Quest
2. Recent Mortgage Statement	9. Homeowners Insurance	16. Claims Against HO Insurance
3. Latest Power Bill/ Utility Bill	10. Lot Rental Agreement Mobile or Manufactured Home	17. CCR'S Homeowner's Association
4. Photo Identification	11. Verification of Income	18. Recent Two Yrs. Tax Returns
5. Two Months Bank	12. HUD Income Determination (From all sources)	19. Legal Residency Statement or Transcripts
6. Statements Privacy Notice	13. Memo of Understanding	20. Receipt of Lead Hazards Notice signed by Homeowner
7. Authorization for Release of Information	14. Privacy Act Notice	

### Section III

1. Contractor's Quotation Specifications Included	4. Homeowner has approved Quotation and Specifications	7. Office Estimate
2. Contractor Selection If chosen from rotating list, print current list	5. Invitation to Bid Full Rehabilitation Only	8. Pre-Bid Sign-in Sheet Full Rehabilitation Only
3. Bid Abstract Full Rehabilitation Only	6. Bidder is an LLC - Affidavit	9. NOTICE TO PROCEED

### Section IV

1. Financial Summary Sheet	3. Contract	5. Change Orders
2. Lien Waivers	4. Invoices and Payments	6. Warranties

## Section V (Moderate and Full Rehabilitation Only)

1.Opportunity to Rescind	3.Deferred Payment Agreement (5yr or 10yrs)	5. Deed DPL
2. Deed Perm	4.Perm Lien Promissory Note	6. Payment Agreement/Conditions

## Section VI

1. Building Permit	4.Pest Inspection Certification	7.Pest Treatment Report
2. Inspection Log Signed by Inspector	5. Punch-list	8.Lead Abatement Report & Clearance
3. M/WBE (HUD	6.Section 3	9.Certificate of Release

### E. RECORDS RETENTION

Upon completion of each project, files will be examined to ensure that all necessary documentation is in the files in order to comply with City and HUD regulations. Files will be retained for five years after the City's lien has expired/released; or in the case of emergency grants, for five years after completion. Files with permanent liens will be held in permanent storage.

### F. DEED/LIEN RECORDINGS

Upon signing of the Notice to Proceed, a Deed of Trust will be recorded within ten (10) City of Mesa business days with the Maricopa County Recorder. Copies of the recorded Deed of Trust, the Loan Agreement, the Promissory Note, and the Change Orders (where applicable) will be mailed to the homeowner. The recording date of the lien will be used as the beginning of the term of the loan or lien.



## G. REPORTING PROCEDURES

The Housing Rehabilitation staff will prepare quarterly reports that will include data related to race and ethnicity, female head of household, and income percentages of beneficiaries. In addition to the monthly reports, the housing rehabilitation staff shall maintain:

1. A current log of all properties that have participated in the rehabilitation programs.
2. A list of all homeowner that did not qualify for the programs. This list shall include
  - a. Name of the homeowner.
  - b. Reason(s) for ineligibility.

## H. PROCESSING DRAW PAYMENTS AND CHANGE ORDERS

The following new protocol ensures that internal controls are put in place to effectively utilize these tools.

**Change order approval from the homeowner is required before work proceeds.**

Coordination of all Draw Payments and Change Orders will be handled by the Rehabilitation Program Assistant for all projects. Prior to any work being performed, all Change Orders will be submitted to the Housing Rehab Program Assistant who will coordinate with the Rehabilitation Program Specialist to process. The Rehab Program assistant will assemble the required documents for submission to the Rehabilitation Program Specialist.

The Rehab Program Specialist will ensure:

1. The requirements for submission have been met.
2. If not already performed, a site inspection will be performed to verify the necessity of the Change Order.
3. The proper documentation will be attached (including the site inspection verification).
4. City approval (budget & scope) must be approved by:
  - a) Homeowner
  - b) the Inspector
  - c) the Rehab Program Specialist; and
  - d) Program Manager
5. The Program Manager is the last approver.
6. After Step #5, the Rehab Program Specialist will issue the Notice to Proceed (signed by the Rehab Program Specialist and the Program Manager) on the Change Order with copies to the homeowner.

**Notes: Step #4** – *The Inspector signature verifies the necessity & the scope/budget; the Rehab Program Specialist signature verifies the project file, process and documentation are in place that all steps are performed correctly; the Program Manager signature provides the Ok to proceed.*

### **XXIII. COMPLAINTS AND APPEALS**

#### **Appeals**

Applicants wishing to appeal a decision of denial by submitting a written request to the Home-Owner Rehabilitation Program Manager. Depending on the request, the Program Manager may convene a Rehabilitation Committee meeting to take up the appeal matter.

#### **Rehab Committee**

The Rehab Committee reviews, approves, and authorizes the terms and guidelines of the Housing Rehabilitation Administration Plan. These terms and guidelines may include, but are not limited to, the distribution of costs through forgivable loans, permanent loans, and emergency grants. In cases of particular need and/or special extenuating circumstances, the Rehab Committee may grant exceptions to any of the guidelines and rules stated in the Housing Rehabilitation Administration Plan. In case an exception is granted, a record to the file stating why the exception was warranted will be placed in the project file.

The Rehab Committee consists of the following:

- Housing and Community Development (HCD) Director
- HCD Senior Fiscal Analyst
- HCD Community Revitalization Administrator
- HCD CDBG Program Manager
- HCD Rehabilitation Program Manager

All Committee meetings and actions taken must be by majority approval.

The HCD Rehabilitation Program Manager shall chair all Committee meetings.

The HCD Rehabilitation Program Specialist (*or other as assigned by the Rehabilitation Program Manager*) shall serve as secretary for the Rehab Committee meeting.

#### **Project Conflict Resolution**

In the event of a disagreement between the owner(s) and the contractor with respect to the rehabilitation work done by the contractor or subcontractors, the HCD Rehabilitation Program Manager will mediate all disputes. If this arbitration is unsatisfactory, either party may make appeal to the Rehab Committee for determination. This appeal process does not preclude property owners and/or contractors from appealing to other parties they deem necessary.

This same grievance procedure shall apply to all other complaints and/or appeals concerning the HCD Rehab Program. This includes but is not limited to, complaints regarding eligibility criteria, and/or other Program guidelines.

The homeowner shall contact the Arizona Registrar of Contractors for any dispute arising from workmanship, warranty, or guarantee items.

## GLOSSARY

### **CDBG**

Community Development Block Grant

### **Davis-Bacon**

The Davis–Bacon Act of 1931 is a United States federal law that establishes the requirement for paying the local prevailing wages on public works projects for laborers and mechanics. It applies to contractors and subcontractors performing on federally-funded or assisted contracts in excess of \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works.

### **HCD**

Housing and Community Development

### **Liquid Assets**

A liquid asset is cash on hand or an asset that can be readily converted to cash. An asset that can readily be converted into cash is similar to cash itself because the asset can be sold with little impact on its value. Investments are considered liquid assets because they can be readily liquidated.

### **MBE/WBE**

Minority Business Enterprises (MBEs) are entities that are at least 51% owned and/or controlled by a socially and economically disadvantaged individual as described by Title X of the Clean Air Act Amendments. Women’s Business Enterprises (WBEs) are entities that are at least 51% owned and/or controlled by women.

### **Section 3**

Section 3 is a provision of HUD that helps foster local economic development, neighborhood economic improvement, and individual self-sufficiency. The Section 3 Program requires that recipients of certain HUD financial assistance, to the greatest extent feasible, provide job training, employment, and contracting opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods.

### **Subordination**

Subordination is the process by which the loan is temporarily released per a written agreement with the title company so that the homeowner is able to modify the loan (see page 12).

## EXHIBITS

1. Section 3 Plan
2. M/WBE Participation Plan
3. Draw Request Forms
5. Lien Waivers
6. Rehab Standards
7. Rehab General Requirements
8. Appendix G- Criminal Background Check for Contractors
9. Conflict of Interest Form

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